



## **Request for City Council Committee Action from the Neighborhood and Community Relations Department**

**Date:** March 31, 2014

**To:** Council Member Cam Gordon, Chair: Health, Environment and Community Engagement Committee

**Referral to:** Ways and Means Committee

**Subject:** Neighborhood Audit Services Panel

**Recommendation:** Authorize the NCR Director to enter into three-year contracts with Abdo, Eick and Meyers LLP; CliftonLarsonAllen LLP; Mike Wilson and Associates; and Rogers and Company, LLC, in a total amount not to exceed \$300,000, to provide audit services and financial management and filing support for contracted neighborhood organizations.

**Previous Directives:** On November 16, 2012, the City Council approved contracts for audit services for a total up to \$125,000.

On October 4, 2013, the City Council approved authority for the NCR Director to increase to \$100,000 the amount of current contract C-36420 with Mike Wilson and Associates for audit services.

### **Department Information**

Prepared by: Robert Thompson, Neighborhood and Community Relations Department

Approved by:

David Rubedor, Neighborhood and Community Relations Director \_\_\_\_\_

Paul Aasen, City Coordinator \_\_\_\_\_

Presenters in Committee: David Rubedor, Robert Thompson

### **Financial Impact**

Funding for audit services is already included in the NCR budget. No additional appropriation is necessary.

### **Community Impact**

Beginning in January 2012, the Neighborhood and Community Relations Department (NCR) assumed responsibility from the Neighborhood Revitalization Program (NRP) for conducting audits and audit procedures. Audit services include neighborhood organization audits, limited financial reviews, agreed upon procedures, and assistance with preparing and filing annual reporting forms. Audit services help to provide confidence that public funds allocated to neighborhood organizations are used appropriately and effectively.

### **Supporting Information**

NCR staff met with the Permanent Review Committee (PRC) on September 12, 2013 to review NCR audit contracts. During that meeting, the PRC recommended that NCR staff:

1. Develop an RFP for selecting qualified CPA firms providing audit services to serve on a panel;
2. Develop three-year agreements with selected CPA firms.

Following those recommendations, NCR staff prepared an RFP, and received proposals from the above listed CPA firms. Two of the firms meet the City's Small and Underutilized Business Program criteria.

The audit services provided by these firms provide an outside and unbiased review of the financial records and procedures of the neighborhood organization. Audits and financial reviews may also be carried out on sub-recipients of NRP or CPP funds such as housing vendors administering neighborhood home loan programs. Services provided by these firms would include:

1. Compilations and filings:
  - Provide an outside and unbiased review of the financial records of the neighborhood organization;
  - Organize the neighborhood organization's financial information into the format for financial statements required by GAAP. May also include explanatory notes that can clarify financial statements;
  - Can identify problems or irregularities, although there is no testing or analytical procedures performed during a compilation ;
  - Provide formatted records and reports in a standard manner that can be reviewed by outside third parties;
  - Can be accomplished at much lower expense than a standard audit.
  - Prepare annually required reports and filings such as the Federal 990 and the Minnesota Annual Report.
2. Agreed Upon Procedures:
  - Agreed Upon Procedures include at a minimum an independent review of the organizations practices around:
    - public disclosure
    - governance
    - financial management and reporting (including cash disbursements
  - May include an examination of a subset of an organization's financial records (such as review of a specific contract or grant).
  - Can provide an initial dashboard review of a neighborhood organizations financial reporting.
  - Can lead to deeper inquiry as needed.
3. Financial Review
  - Examine a neighborhood organization's financial reports to determine if they are consistent with generally accepted accounting standards.
  - Provides some tests for internal consistency.
4. Audit
  - Conducted when there is a need for high degree of certainty for public review.
  - May be conducted if internal control concerns are flagged in AUP, filings or financial review.
  - May be conducted at request of organization board.
  - Some neighborhood organizations need regular audits to satisfy other funders.